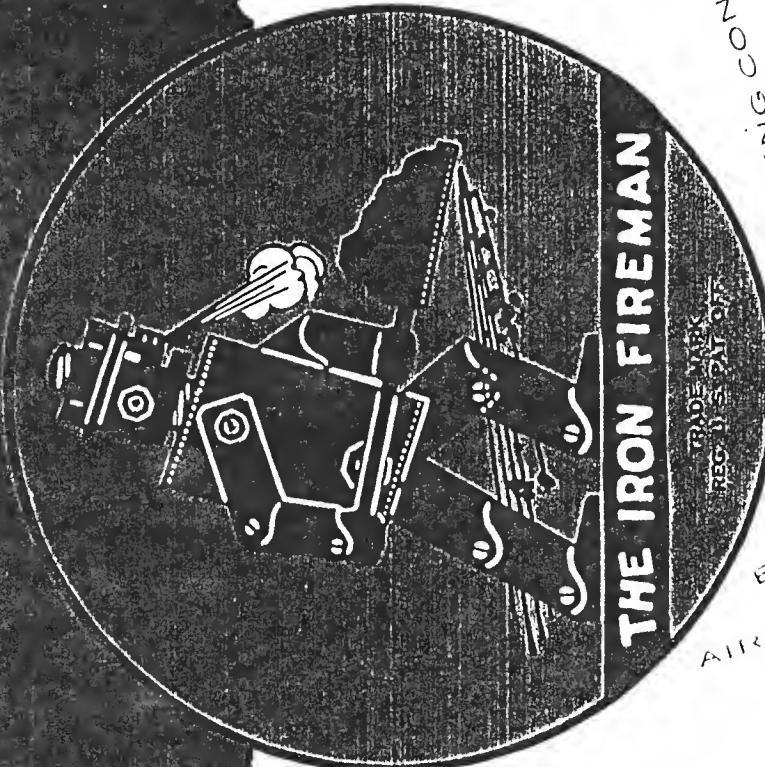


AIR SYSTEMS

31st Annual Report

1980



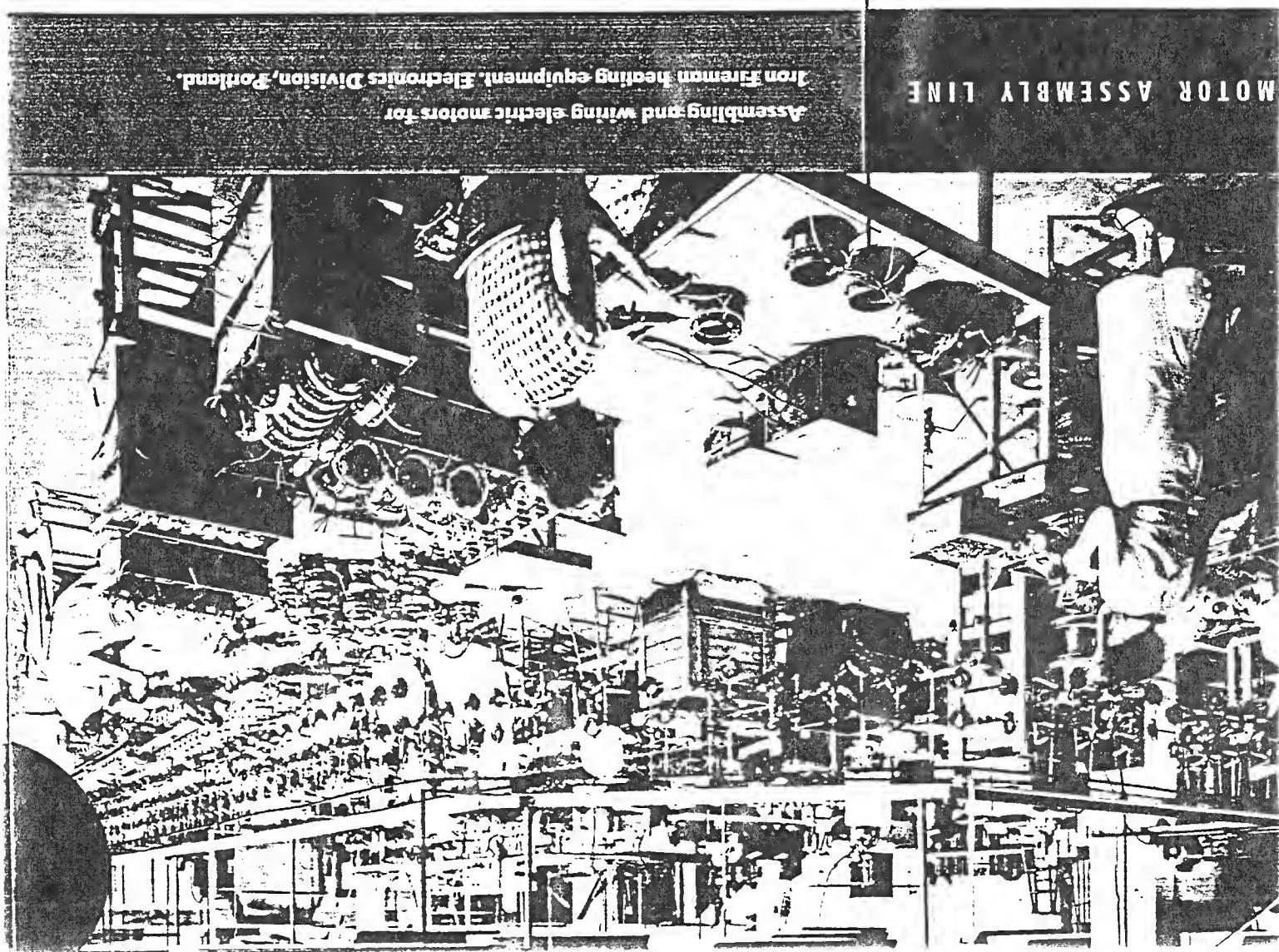
THE IRON FIREMAN

AIRCRAFT PARTS AND ASSEMBLIES
ELECTRONIC INSTRUMENTS FOR AIRCRAFT AND GUIDED MISSILES
SELECTED TEMPERATURE MODULATED ZONE HEATING SYSTEMS
HEATING, COOLING AND POWER EQUIPMENT
AUTOMATIC HEATING, COOLING
INSTRUMENTS FOR AIRCRAFT AND GUIDED MISSILES

Net Sales.....	\$25,971,527	\$25,641,509
Income Before Taxes.....	498,079	667,178
Income After Taxes.....	245,079	364,178
Taxes on Income.....	233,000	303,000
Cash Dividends Declared and Paid.....	161,956	287,921
Earnings Retained in the Business as of December 31.	5,926,402	5,843,279
Net Working Capital.....	6,592,368	7,037,450
Long Term Debt.....	1,600,000	1,800,000
Earnings Per Share.....	.68	1.01
Book Value Per Share.....	23.12	22.89
Investments in Plants and Equipment.....	3,183,256	2,813,923

1956 1955

SUMMARY OF OPERATIONS 1956.



REPORT TO STOCKHOLDERS

COVERING OPERATIONS OF THE IRON FIREMAN MANUFACTURING COMPANY

FOR THE YEAR 1956

BY WAYNE F. STRONG, PRESIDENT

IRON FIREMAN MANUFACTURING COMPANY earned a profit of \$245,079 in the year ending December 31, 1956—equal to 68c per share on the common stock outstanding. This profit fell short of our objective due principally to certain disappointing factors affecting our Electronics Division in Portland and the new Ligonier Plant where substantial first-year operating losses were experienced. These unfavorable conditions were partially offset by a distinct improvement in the Heating Equipment Division, and by an excellent year's operations at Plant 1, Portland. The activities at all of these divisions will be discussed in sufficient detail throughout the body of this report to permit the stockholders to evaluate the company's performance and current status.

Total sales of commercial and military products in 1956 were \$25,971,527. This compares with sales of \$25,641,509 for the year 1955. Approximately two-thirds of the total sales were in heating and power equipment sold under the Iron Fireman, Petro and SelecTemp brand names. The remaining one-third was composed of aircraft parts and instruments for military use. It is quite evident that defense production is an important part of the company's business, and we expect that it will continue to be so.

Net worth of the company increased to \$8,321,602 as of December 31, 1956, giving the stock a book value of \$23.12 a share.

Plant 1 - Portland

Operations in our Portland Plant 1 Division have been excellent. 1956 has been one of our best years. During the year these operations were expanded considerably through a substantial expenditure covering machine tools and an addition to our building to take care of increased work loads from the Boeing Airplane Company. As a result of our new facilities and the fine performance of this division on Boeing work over the past 15 years, we have been awarded new types of work that will help stabilize our work loads in the future. This division is now operating at its highest level of production since World War II, and has a backlog of business sufficient to maintain its present high level of production throughout 1957 and into 1958. This increased volume of work adds to our requirements for working capital; however, the earnings of the division will be much improved as a result.

Electronics Division

In our Electronics Division we produce instruments for aircraft and guided missiles, as well as commercial items, and controls and motors for our own heating equipment. This division has been forced to contend with serious operating problems during most of the year. A decline in the sale of domestic heating products contributed to the problem. The principal difficulty, however, has been due to a stop-work order on military products which



PORTLAND

A map of North America showing the locations of various manufacturing plants and retail branches. The map includes labels for PORTLAND, MILWAUKEE, CHICAGO, TORONTO, BROOKLYN, CLEVELAND, and ST. LOUIS. Manufacturing plants are marked with stars, and retail branches are marked with circles.



MANUFACTURING PLANTS

A stylized icon representing a factory or retail branch, featuring a circle with a wavy line inside.

ST. LOUIS

was issued in September, 1955, by our customer. This order was issued for the purpose of re-engineering our products to meet the requirements of the new and faster jet aircraft. The order was finally reinstated in June and deliveries resumed in August of 1956. Heavy operating losses were sustained during this extended period because of the production shutdown, engineering, retooling, and stand-by expenses. Through these efforts, however, we were able to develop and are now producing an instrument to such high quality standards that we have now become the principal supplier of the vertical gyro for this application. These items are in volume production on an accelerating schedule against a good backlog of orders. During this same period our engineering staff completed development to military standards on a line of high quality relays. These relays are widely used in the electronics

industry, and we have obtained a substantial backlog of orders for 1957 production. Prospects for this division are good for 1957, and it should return to its previous position as one of the profitable operations of this company.

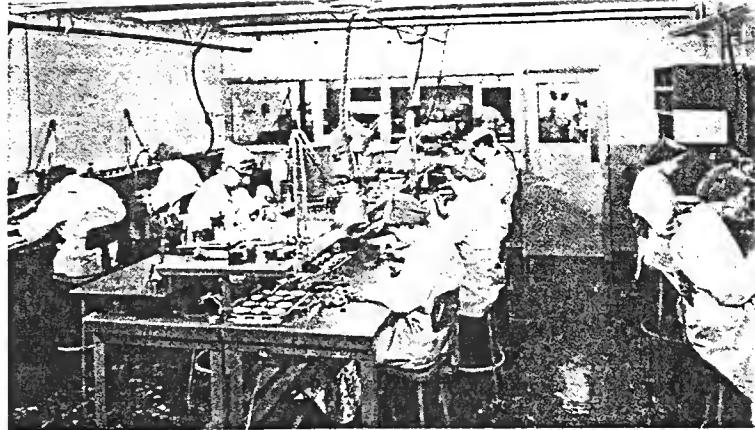
Heating Equipment Division

The year 1956 has been good in our heating business—not as good as we would like—but a decided improvement over recent years. Total sales for heating products are down somewhat from last year. This closely parallels the trend in the industry. The demand for some products, such as commercial heating equipment, has been much stronger than in previous years, but offsetting this our sales of residential units decreased. Profits from the heating division are better than they have been in several years. This is due to improvements in product design and lower production costs, together with

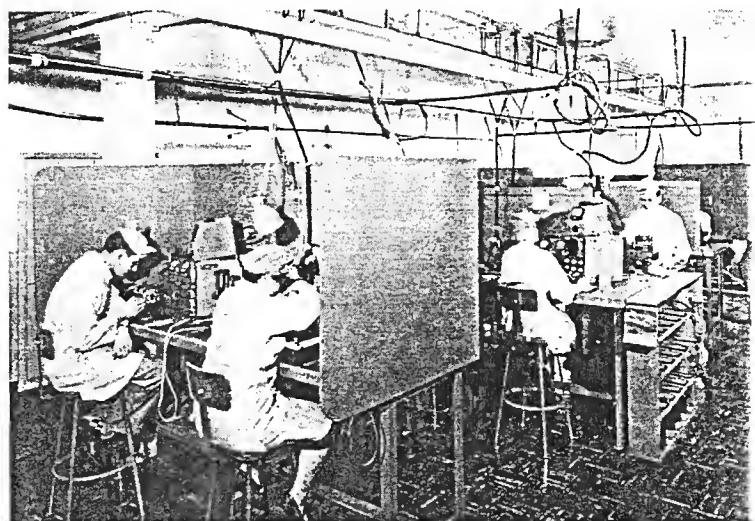
substantial economies effected in overhead, distribution, and sales expense. As is true in other industries, we continually face rising costs for material and labor which complicate our marketing activities. This was anticipated, however, and our engineers have been diligent in finding new ways to burn fuels more efficiently with lower cost and less complicated equipment of new design. During the past year several new types of gas and oil burners were introduced after a field testing program, and they have been enthusiastically received. This has strengthened our position in both the gas burner and oil burner markets and places us in a commanding position in several new markets. Our development program is extremely important in the company's progress, and we are continuing vigorous efforts in this field.

Our sales of the new SelecTemp heating system in 1956 were not as high as expected because of the effect which previous mechanical and installation problems have had on the sales organization. We have continued the liberal replacement policy outlined in last year's annual report, and have worked closely with our dealers and users in correcting their application and installation problems on these older installations. As of this date, the number of replacements has been considerably reduced and closely approaches a normal percentage. During 1956 a very substantial number of new SelecTemp installations were made in large commercial buildings such as motels, apartments, churches, schools, and similar type buildings. These installations are performing with excellent results and public acceptance of this heating system is most encouraging.

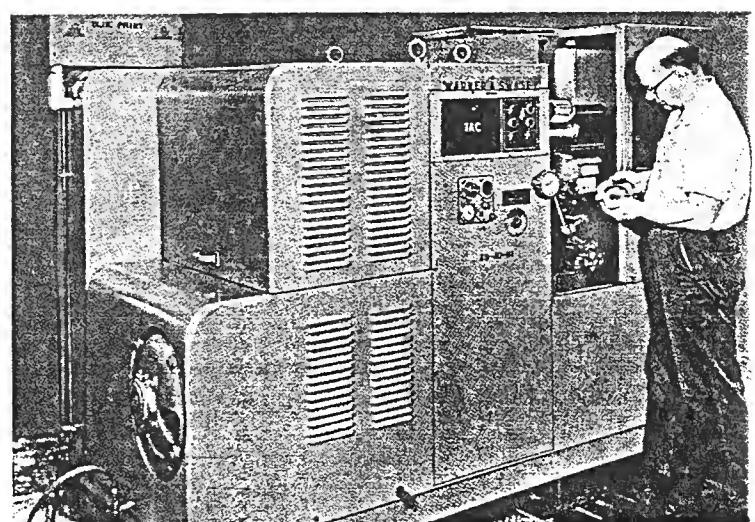
Through our division in Toronto, Canada, we make available to the fast-growing Canadian market the full line of Iron Fireman and Petro equipment. Much of this equipment is manufactured complete by them, and the production capacity is being expanded as the sales volume increases. Oper-



This is the first step in assembling and combining the finished parts into a completed gyro unit.



The last step in the gyro assembling operation includes the adjustment and balancing of the completed unit.



Two turret lathes were formerly required to produce the heating equipment parts now turned out on this automatic chucker in Cleveland Plant 1. It is a highly versatile machine that can be shifted from one production item to another with a minimum of set-up time. It is part of the continuing program of cost reduction and quality improvement.



People of Ligonier attend open house in the new plant.
At left a corner of the Ligonier plant.

Madison, Wisconsin. Retail Branch was closed and its operation consolidated with the Milwaukee Branch to effect a more efficient operation. It is expected that our retail sales and service branches will operate profitably in 1957.

Mr. Roy L. Shurtleff, a director and voting trustee of the company since 1946, has resigned these posts because of other business responsibilities.

It is with regret that we record the death during the year of C. T. Burg, Vice President of Sales, who had been with the company from its beginning.

Capital Expenditures

Capital requirements have been unusually heavy this year. Requests for appropriations covering substantial expenditures for machine tools and plant expansion were granted by the Board of Directors because they would improve the immediate and long-term earnings. These expenditures were twice

ational and organization changes were made in this division during 1956 to strengthen our position in this market. We have experienced an improvement in sales volume and operations, and it is expected that this division will contribute substantially to our earnings in 1957.

Major organizational and operational changes were made in most of our eight retail sales and service branches during 1956 to enable us to do a better job. As a result, a marked improvement was made during the year in retail branch operations in both sales and profits. Near the end of the year our

the amount of our annual depreciation. Additional financing also was required for increased inventories in Portland Plant 1 and the Electronics Division. Capital expenditures for 1957 will be held to a minimum, and we expect that they will not exceed the depreciation.

Dividends

Stockholders in 1956 were paid three dividends of 15c each, totaling 45c per share. The Board of Directors of the company at a meeting held October 18, 1956, considered the question of paying a quarterly dividend on December 1. After full consideration they concluded that it would be inadvisable to declare a dividend at that time. Our plans for 1957 should result in more favorable earnings, and it is hoped that dividends may be resumed during the year.

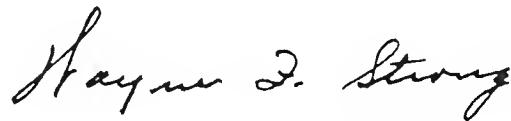
Financial Statements

The financial statements of the company, together with the certificate of our independent public

accountants, are included in this report. These data, with the accompanying charts and remarks, outline the results of our operations for 1956.

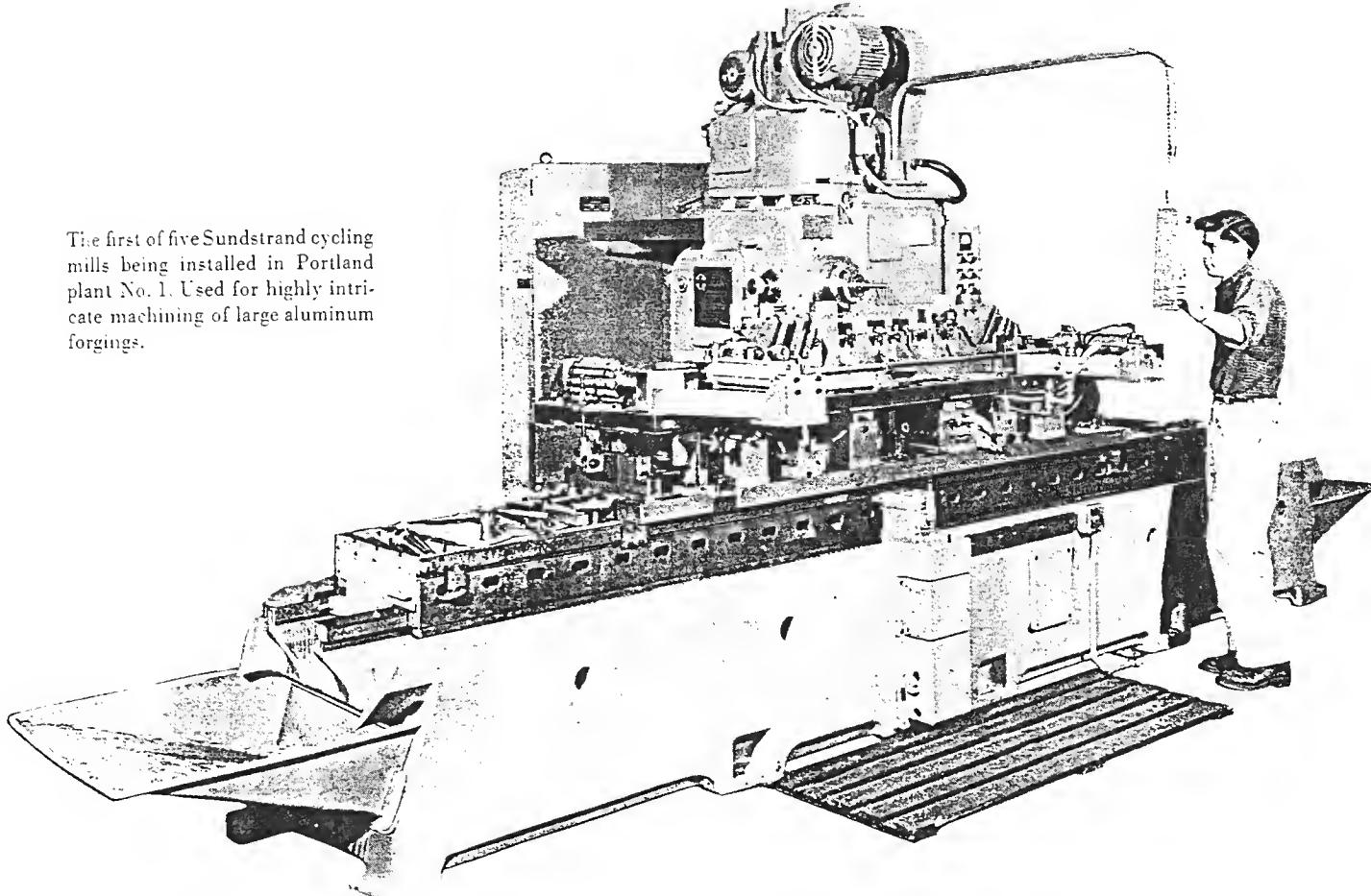
Summary

In the opinion of your management we have for the most part eliminated the unfavorable factors from those divisions of the company which did not operate profitably in 1956. Each division began the year 1957 with a realistic sales and expense budget supported by a sales and merchandising program and adequate production facilities to enable us to show a substantial improvement in net earnings for the year 1957.



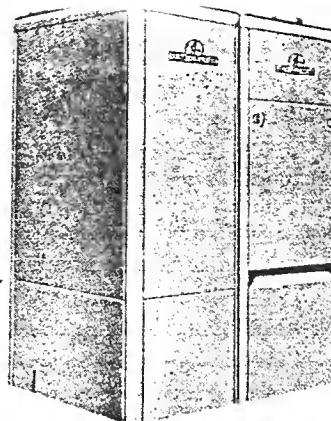
President

The first of five Sundstrand cycling mills being installed in Portland plant No. 1. Used for highly intricate machining of large aluminum forgings.

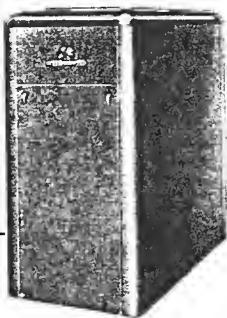


RESIDENTIAL HEATING AND COOLING

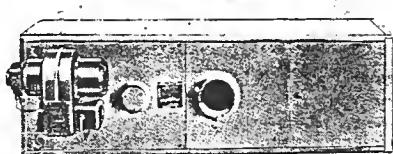
Iron Fireman and Petro



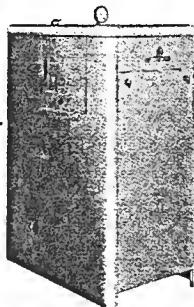
units use same
systems for bath-
ing and cooling.
(or oil)



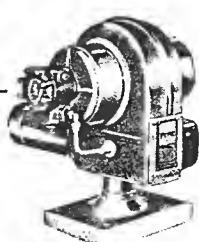
Ind circulation
in air furnace.
(or oil)



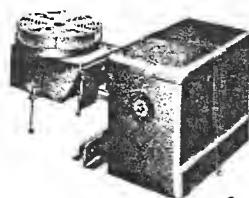
Gas saver warm
air furnace. Forced
convection.
(or oil)



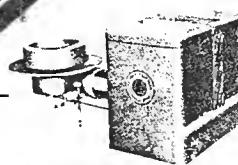
For steam or
water heating
units. (Gas or oil)



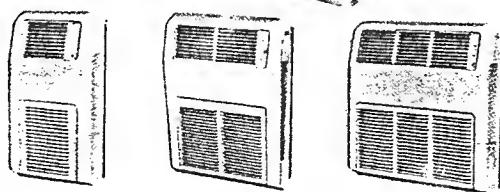
Two-type burner.



Compact gas burner.



Gas conversion
burner.



Temp room
heating units,
using thermo-
steam heat
exanger, air filter
steam driven

The heating equipment line is the oldest among Iron Fireman's many products. More than 30 years ago, Iron Fireman brought out a home stoker—"The machine that made coal an automatic fuel." Although coal has lost favor as a home fuel in recent years, the automatic coal fire had some outstanding advantages that have greatly influenced the design of the Iron Fireman oil and gas burners that came later. The steady, glowing, highly radiant fuel bed of the automatic coal fire was a much more efficient heat source than any oil or gas burner then in use.

When Iron Fireman brought out oil and gas equipment, some 15 years ago, the engineers developed burners that were unique in their fields. These were the Vortex oil burner and the Radiant gas burner, both of which utilized what had been learned from the radiant coal fire. When these burners were installed in conventional furnaces and boilers, fuel savings of 25 to 50 per cent were typical, in comparison with the most popular competitive burners.

Today the favorite type of heating plant is the furnace-burner or boiler-burner unit, in which all components are integrated into a complete factory built package. Development work has progressed steadily in this field, aimed at perfecting a line of quality products that will (1) maintain high standards of quality, (2) best meet the needs of modern buyers, (3) cut production costs for more competitive pricing and improved profit margin.

Iron Fireman dealers have available a complete line of modern cooling equipment for both individual room cooling and for central or zone systems.

The New SelecTemp Heating System

With the introduction of SelecTemp heating in 1954, Iron Fireman made automatic temperature control possible in each individual room, in any size home and any type or size of building. SelecTemp is a truly revolutionary concept in heating and has therefore had to contend with the usual obstacles involved in pioneering a new product. Experience during the current heating season confirms the Company's confidence in the merits of SelecTemp heating.

In SelecTemp, Iron Fireman provides a complete heating system, with built-in controls, and including low pressure boilers for most applications. The price is competitive with that of many systems not giving the many SelecTemp advantages. These advantages include: (1) Modulation, (2) Individual temperature control in every room, (3) The ability of each SelecTemp unit to evenly distribute heat from floor to ceiling, (4) Only the rooms actually in use need be heated and (5) the fuel saving experience of SelecTemp owners. There appears to be no limit to the practical application of SelecTemp heating, or to the extent of the market.

COMMERCIAL - INDUSTRIAL

FIRING EQUIPMENT

Iron Fireman and Petro

Iron Fireman has made steady progress in the commercial-industrial field. The last two years have seen the addition of three new burner units which have opened up significant new markets.

The commercial gas-oil burner brings to medium sized heating jobs the advantages of dual-fuel firing. This burner fires either gas or oil with equal efficiency, and can switch fuels instantly, either by a manually operated switch or by means of automatic controls which change from gas to oil firing when desired. It has been adapted to forced draft firing of commercial size Scotch type boilers, thus providing a packaged boiler-burner unit for gas or combination gas and light oil. It is anticipated that sales of this burner will grow rapidly and within a reasonable time represent a substantial part of our heating business.

The second commercial burner, the Iron Fireman MicroMist, will fire any grade of oil, up to and including heavy No. 5, and yet requires no more supervision or maintenance than an ordinary burner firing light oil only. Its ability to burn the low cost, economical heavy oils gives it a very wide market, both for conversion and for use in new boiler-burner unit installations.

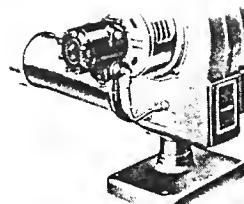
The unique MicroMist advantages result from a revolutionary two-stage supercharger, which reduces heavy oils to an air-oil vapor having the characteristics of a fuel gas, rather than of a spray. This atomized air-oil mist can be easily ignited with an electric spark, and the more costly gas ignition ordinarily used on heavy oil burners is eliminated.

The MicroMist burner operates with the same type of firebox as the ordinary pressure burner, eliminating the extensive firebox alteration generally needed for heavy oil firing. Though but recently introduced on a nationwide basis, this burner has had many years of very successful heavy service in a limited area.

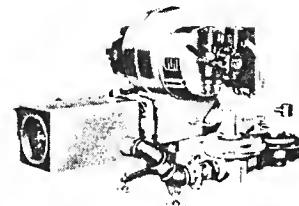
The third new burner is a package unit designed for natural or induced draft conditions and is known as the RW (for heavy oil) and the RWL (for gas-oil combination). It is a factory built unit in which a complete air supply system and combustion throat (usually built on the job) is an integral part of the burner. It comes from the factory ready to bolt to the boiler front. Like the MicroMist burner, it eliminates the usual extensive firebox brickwork and deep boiler pit. It is applicable to Scotch Marine and all other types of boilers.

The Iron Fireman forced draft package burner was first introduced 5 years ago. Its design makes it ideal for firing Scotch type boilers, and it is widely and successfully applied in boilers of all other types. This burner, available in oil, gas, and oil-gas models, is in wide use throughout the United States and Canada, and is now bought as standard equipment by several large national corporations. Sales today represent a sizable percentage of the Iron Fireman heating and firing equipment business.

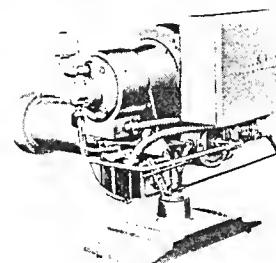
Automatic coal stokers for medium and large installations are still an important part of our product line. With the rising costs of oil, there appears to be a growing trend toward stokers.



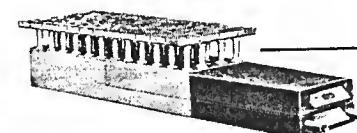
Commercial oil
burner for No. 2 oil.



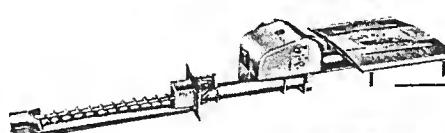
Commercial burner
fires either No. 2
oil or gas; switches
fuels instantly.



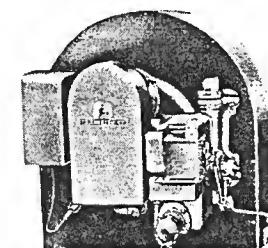
MicroMist burner
fires heavy No. 5 oil
or any lighter grade.



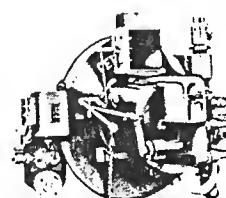
Commercial vertical
flame gas burner.
Other models include
radiant and ring
type burners.



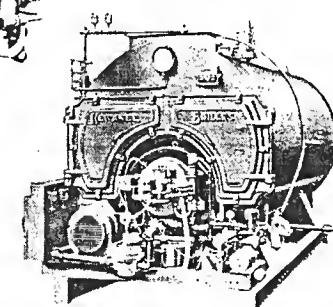
Coal-Flow stoker
feeds coal direct
from bin. No coal
handling.



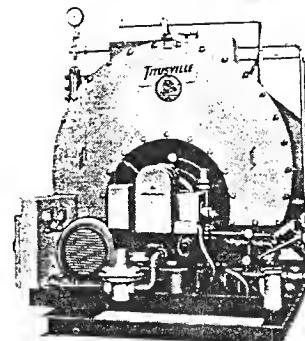
Packaged oil or gas-
oil burner for
natural or induced
draft.



Rotary type oil burner
for No. 2, 4 or 5 oil.



Boiler burner unit for
oil, gas or oil-gas
combination firing.

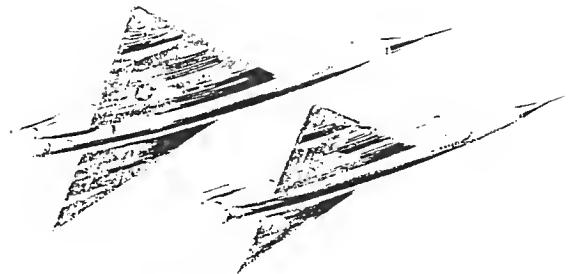
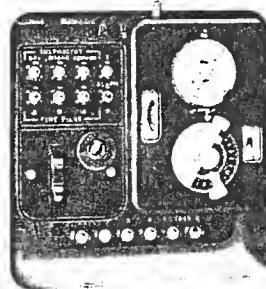


Packaged oil, gas
or gas-oil, burner
with forced draft air
supply. Also avail-
able as complete
burner-boiler unit
with matched scatch
boiler.

Vertical Gyro, an extremely intricate control instrument used in new delta wing interceptor.



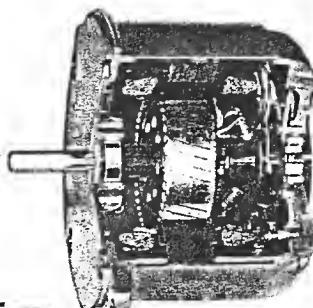
Master controller with built-in day-night time switch.



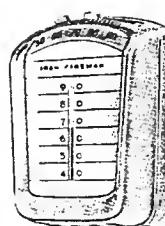
on and limit control for warm air heating.



Fractional horse-power motor for Iron Fireman oil burners.



Day-Night time switch.



Miniature high speed motor used in various electrical instruments.



Sensitive relays for use in many intricate electronic instruments.



Lip rings of sub-miniature design for use in electronic control and indicating systems, such as gyroscopes, computers and tachometers.



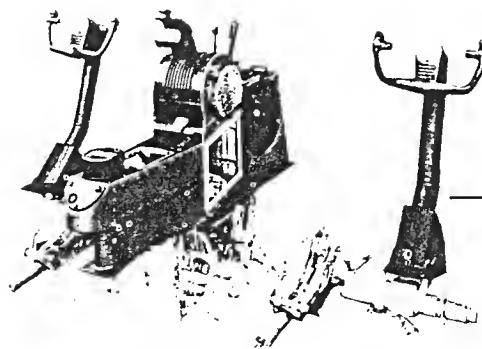
ELECTRONICS

DIVISION

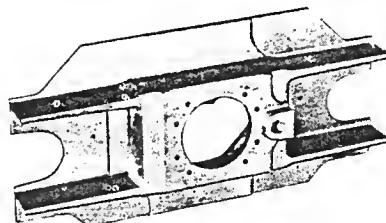
The Electronics Division of Iron Fireman, a highly specialized operation, in Portland, Oregon, is devoted exclusively to the engineering and manufacture of automatic heating controls and precision instruments and components for aircraft and guided missiles. Many of its products require the precision manufacture of micro-parts which must be assembled under microscopes in dust-free rooms and under conditions of accurately controlled temperature and humidity.

This plant was established during the early years of the Company for the manufacture of automatic control instruments for use with heating equipment. At that time no controls existed suitable for automatic coal firing. The engineering skills and manufacturing facilities required for this work were soon applied to related fields and sold to manufacturers requiring various types of thermo-controls in their products.

During the war, this division of the Company became an important factor in supplying many precision devices required in the urgent program of the Armed Forces. Defense contracts have constituted a substantial portion of the factory's output for the past 6 years. This has included not only production but also some notable achievements by the division's engineering staff.



Directional and power controls are centered in this pilots' control assembly for multi-engine jets.



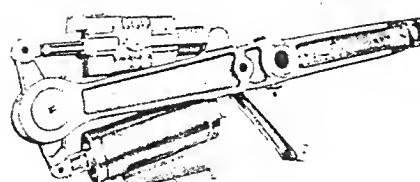
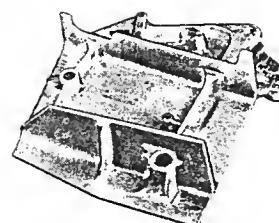
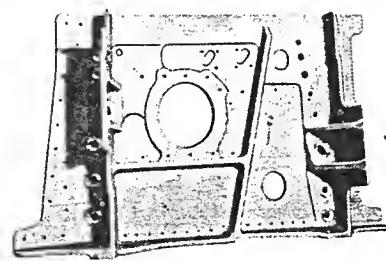
Machined aluminum fittings used in various parts of airframe.

P O R T L A N D P L A N T 1, A I R C R A F T P A R T S A N D A S S E M B L I E S

The production facilities of Portland Plant 1 are devoted entirely to the manufacture of high precision parts for aircraft, ranging in size from very small pieces requiring tolerances and finishes equal to a fine watch up to large structural parts also requiring extreme accuracy and finishes.

Iron Fireman has been engaged in this type of work for nearly 18 years, advancing in technical skill and in manufacturing facilities to keep pace with this fast moving industry. This has been almost entirely military work, but in 1956 Iron Fireman stepped into civilian aviation when the company completed contracts with Boeing to supply parts for the new Boeing 707 jet transport, which will soon cut hours off the coast-to-coast schedules of several airlines. The program covers a number of structural airframe parts and several complex mechanical assemblies, such as the pilot control column, in which is centered all of the main flight and power controls.

In the military program Plant 1 assumed new responsibilities in 1956 when its engineering staff took on important assignments in engineering design.



Hydraulic mechanism used on landing gear.



Machined aluminum forgings used in wing structure.

RECORD OF OPERATIONS
OF THE LAST TWENTY YEARS

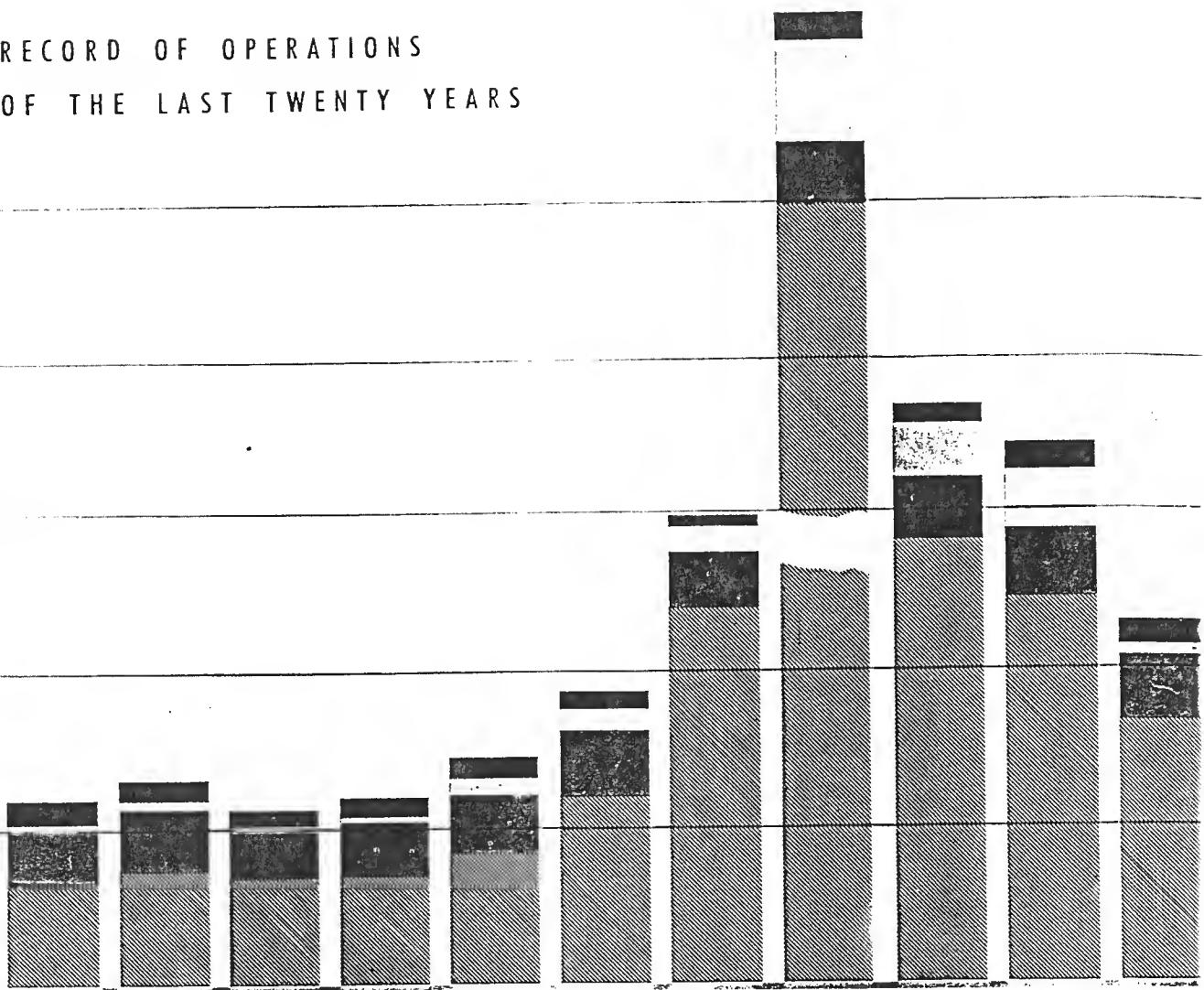
25 MILLION

20 MILLION

15 MILLION

10 MILLION

5 MILLION

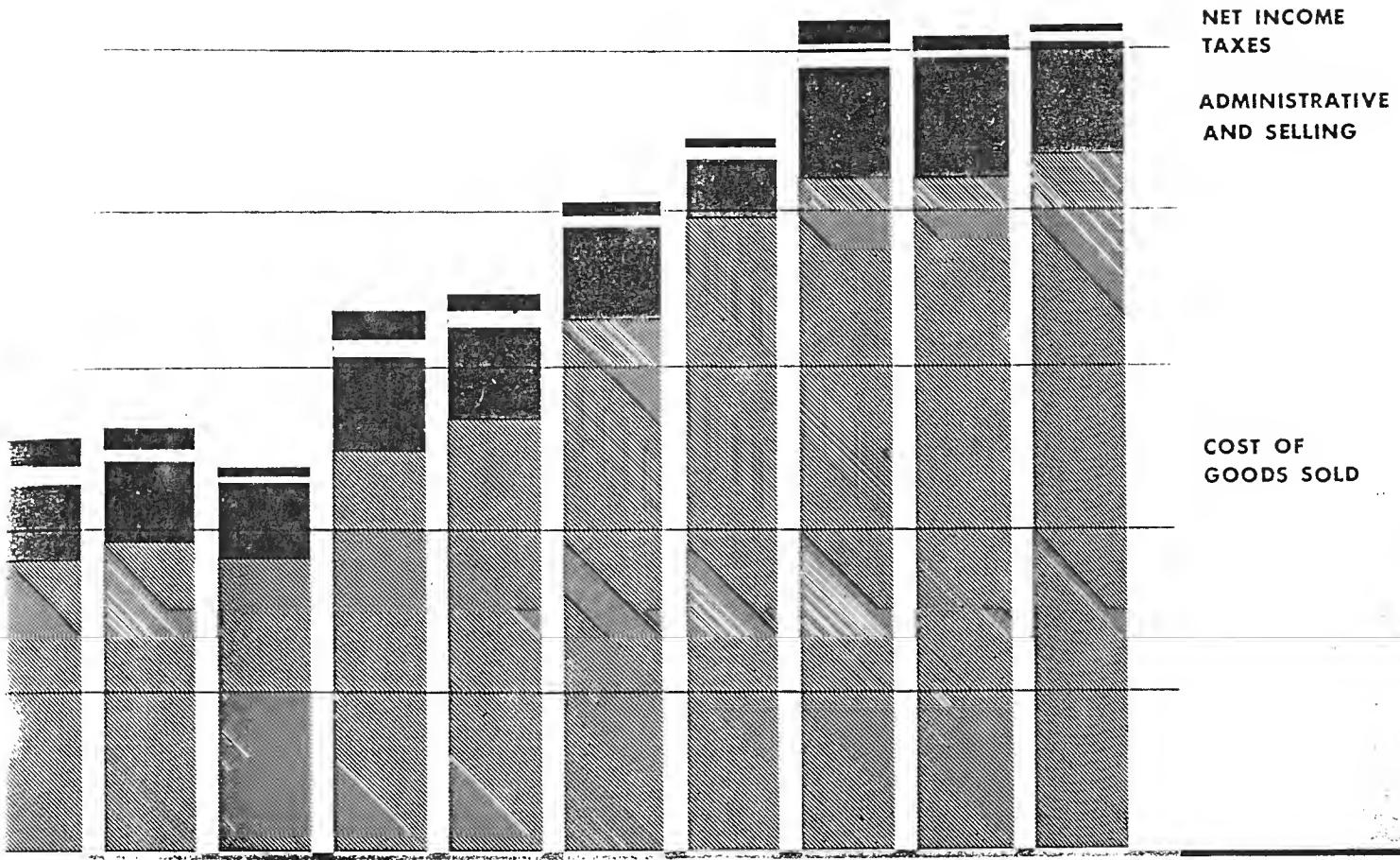


1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
\$5,811,331	\$6,538,993	\$5,664,425	\$5,952,712	\$7,232,803	\$9,427,392	\$15,092,169	\$37,028,460	\$18,659,321	\$17,262,182	\$11,515,82
774,787	711,460	606,901	611,762	721,308	652,461	491,646	900,849	668,838	776,876	769,10
193,265	191,418	162,065	146,329	427,688	663,773	771,061	3,189,685	1,720,367	2,003,370	362,08
1,645,740	1,933,076	1,591,163	1,715,561	1,901,716	2,134,777	1,766,307	1,993,281	1,977,405	2,135,239	2,051,20
3,232,772	3,651,674	3,328,780	3,503,483	4,220,268	6,010,209	12,137,739	30,682,576	14,496,057	13,476,465	8,747,71

DIVIDENDS PAID

YEAR	DIVIDEND	YEAR	DIVIDEND	YEAR	DIVIDEND	YEAR	DIVIDEND
1929.....	\$1.00	1936.....	\$2.00	1943.....	\$1.20	1950.....	\$1.20
1930.....	.150	1937.....	.150	1944.....	.120	1951.....	.115
1931.....	.135	1938.....	.120	1945.....	.120	1952.....	.70
1932.....	.30	1939.....	.120	1946.....	.120	1953.....	.60
1933.....		1940.....	.145	1947.....	.120	1954.....	.60
1934.....	.80*	1941.....	.120	1948.....	.120	1955.....	.80
1935.....	1.00	1942.....	.120	1949.....	.120	1956.....	.45

* Plus stock dividend



1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	
1,810,541	\$13,227,167	\$11,981,565	\$16,850,102	\$17,456,366	\$20,311,569	\$23,928,643	\$26,083,733	\$25,641,509	\$25,971,527	Sales
944,028	701,225	307,255	985,809	574,648	378,560	441,793	722,272	364,178	245,079	Net Income
445,600	345,000	185,300	505,000	493,000	163,000	489,000	716,000	303,000	253,000	Taxes
1,395,118	2,481,477	2,368,050	2,817,112	2,874,799	2,774,603	2,873,868	3,429,144	3,770,403	3,278,034	Adm. & Sell.
1,174,493	9,679,355	9,064,696	12,522,277	13,409,194	17,101,119	19,988,316	21,072,203	21,024,288	21,933,928	Cost of Goods Sold

EARNINGS RECORD

The steady growth of the Iron Fireman Manufacturing Company since its beginning has been accompanied by an unbroken record of corporate earnings. Since 1929, dividends have been paid every year except 1933, and in 1934 a 50% stock dividend was paid in addition to cash dividends. Since 1933 the company has paid 91 quarterly dividends and four special dividends.

Consolidated

ASSETS

	<u>December 31</u>	
	<u>1956</u>	<u>1955</u>
CURRENT ASSETS:		
Cash.....	\$ 1,281,311	\$ 1,092,548
Accounts receivable—		
Trade.....	2,754,185	2,625,045
Contracts receivable on equipment installations.....	455,629	400,883
Allowance for doubtful accounts.....	(89,563)	(71,546)
Inventories of raw materials, work in process and finished products, at average cost or market, whichever lower.....	7,271,849	7,203,847
Prepaid expenses.....	272,122	319,025
	<u>11,945,533</u>	<u>11,569,802</u>
 PROPERTY, PLANT AND EQUIPMENT, at cost:		
Plant, machinery and equipment.....	5,223,059	4,543,615
Less—Accumulated depreciation.....	2,277,709	1,967,598
	<u>2,945,350</u>	<u>2,576,017</u>
Plant sites.....	237,906	237,906
	<u>3,183,256</u>	<u>2,813,923</u>
 PATENTS, TRADEMARKS AND COPYRIGHTS.....		
	<u>1</u>	<u>1</u>
	<u>\$15,128.790</u>	<u>\$14,383,726</u>

IRON FIREMAN MANUFACTURING COMPANY
AND SUBSIDIARY COMPANY

LIABILITIES

	<u>December 31</u>	
	<u>1956</u>	<u>1955</u>
CURRENT LIABILITIES:		
Notes payable to banks.....	\$ 2,900,000	\$ 2,000,000
Note instalments payable within one year.....	200,000	200,000
Accounts payable—trade.....	1,091,765	1,122,946
Accrued payrolls and expenses.....	640,719	562,596
U. S. and Canadian taxes on income.....	303,111	455,106
Other taxes.....	217,570	191,704
	<u>5,353,165</u>	<u>4,532,352</u>
NOTES PAYABLE—(Note 2)		
Payable \$100,000 semiannually to 1963, less instalments due in one year..	1,400,000	1,600,000
DEFERRED INCOME.....	<u>54,023</u>	<u>12,895</u>

STOCKHOLDERS' EQUITY:

Common stock, without par value—		
Authorized—400,000 shares		
Issued—360,000 shares, less 90 shares in treasury ; stated value \$5 per share.....	1,799,550	1,799,550
Excess of amount received over stated value of common stock issued....	595,650	595,650
Earnings retained in the business (Notes 1 & 2).....	5,926,402	5,843,279
	<u>8,321,602</u>	<u>8,238,479</u>
	<u>\$15,128,790</u>	<u>\$14,383,726</u>

CONSOLIDATED STATEMENT OF INCOME AND EARNINGS RETAINED IN THE BUSINESS

IRON FIREMAN MANUFACTURING COMPANY
AND SUBSIDIARY COMPANY

	YEAR ENDING DECEMBER 31	
	<u>1956</u>	<u>1955</u>
Net sales.....	<u>\$25,971,527</u>	<u>\$25,641,509</u>
Deduct:		
Cost of goods sold.....	21,495,375	20,644,944
Depreciation.....	460,835	405,896
Selling, administrative and general expenses.....	3,255,752	3,743,851
	<u>25,211,962</u>	<u>24,794,691</u>
	<u>759,565</u>	<u>846,818</u>
Other income and (expenses), net.....	(18,664)	(7,930)
Interest expense.....	(242,822)	(171,710)
	<u>498,079</u>	<u>667,178</u>
Provision for U. S. and Canadian taxes on income.....	253,000	303,000
Net income.....	<u>245,079</u>	<u>364,178</u>
Earnings retained in the business at beginning of year.....	5,843,279	5,767,022
	<u>6,088,358</u>	<u>6,131,200</u>
Dividends paid in cash, \$.45 and \$.80 per share respectively.....	<u>161,956</u>	<u>287,921</u>
Earnings retained in the business at end of year (Notes 1 and 2).....	<u>\$ 5,926,402</u>	<u>\$ 5,843,279</u>

ACCOUNTANTS' REPORT

AMERICAN BANK BUILDING
PORTLAND 5, OREGON
FEBRUARY 11, 1957

TO THE BOARD OF DIRECTORS OF
IRON FIREMAN MANUFACTURING COMPANY

In our opinion, the accompanying statements and notes thereto present fairly the consolidated financial position of Iron Fireman Manufacturing Company and its subsidiary company at December 31, 1956 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, a Canadian corporation. The net assets of the subsidiary at December 31, 1956, expressed in United States dollars at appropriate rates of exchange, exceed the cost of the Company's investment by \$1,194,877, representing undistributed earnings of the subsidiary which are included in consolidated earnings retained in the business. Unrealized gain of \$41,587 from translation of Canadian net assets at December 31, 1956, is included in deferred income.

NOTE 2: The notes payable were issued under a loan agreement dated July 1, 1951, with an insurance company and others. The agreement provides, among other things, that the Company shall not declare any dividends if

- (a) The consolidated net working capital of the Company and its wholly-owned domestic subsidiaries (none at December 31, 1956) would be less than \$5,000,000 or
- (b) The amount of dividends (except those payable in its capital stock) and stock acquisitions or redemptions since December 31, 1950, plus payments on principal of the notes would exceed consolidated net income of the Company and its wholly-owned domestic subsidiaries since that date plus \$750,000.

At December 31, 1956 \$608,806 of earnings retained in the business by the parent Company are free from dividend restrictions under the loan agreement.

NOTE 3: Renegotiation and price redetermination of sales under government contracts and subcontracts as to years before 1956 have been settled and provision made in the accounts for any refunds as to 1956 is believed to be adequate.

NOTE 4: The pension plans generally contemplate retirement of eligible employees attaining age 65 with at least 10 years of service. Salaried employees contribute towards funding of accruals on their current services; otherwise the Company bears the cost of the plans through payments to an insurance company and a trustee at contract rates which provide for funding of current and past service costs. Liabilities under the plans are completely funded; however, the estimated unfunded past service cost to be funded upon continuation of the plans was \$740,000 at December 31, 1956. The cost of these plans for the year was \$145,713.



WAYNE F. STRONG



T. HENRY BOYD



DAVID L. DAVIES

DIRECTORS AND

FRANK S. HEKOX

E. C. SAMMONS



O F F I C E R S

President and Chief Executive Officer: *Wayne F. Strong*
Vice-President and Treasurer: *Frank S. Hecox*
Vice-President: *Lewis J. Cox*
Vice-President—Sales: *William J. O'Neil*
Secretary: *C. C. Craft*
Controller: *H. J. Mack*
Assistant Secretary: *David L. Davies*
Assistant Secretary: *Frederick H. Torp*

D I R E C T O R S

T. Henry Boyd *E. C. Sammons*
David L. Davies *Wayne F. Strong*
Frank S. Hecox

V O T I N G T R U S T E E S

T. Henry Boyd *Frank S. Hecox*
David L. Davies *E. C. Sammons*

C O U N S E L

Hart, Spencer, McCulloch, Rockwood & Davies

OFFICERS

T R A N S F E R A G E N T S A N D R E G I S T R A R S F O R S T O C K

The Bank of California, N. A., San Francisco
Wells Fargo Bank and Union Trust Company, San Francisco
Continental Illinois National Bank & Trust Company, Chicago
First National Bank, Chicago

P L A N T S A N D O F F I C E S

General Offices:

3170 West 106th Street, Cleveland 11, Ohio

Financial Offices:

4784 S.E. 17th Avenue, Portland 7, Oregon

Manufacturing Plants:

3170 West 106th St., Cleveland, Ohio	Gerber Street, Ligonier, Indiana
4784 S.E. 17th Ave., Portland, Ore.	80 Ward St., Toronto, Canada
2838 S.E. 9th Ave., Portland, Ore.	

Retail and Wholesale Offices:

356 Fourth Ave., Brooklyn, N. Y.	3205 S.E. 13th Ave., Portland, Ore.
1101 W. Adams St., Chicago, Ill.	3114 Washington Ave., St. Louis, Mo.
3170 West 106th St., Cleveland, Ohio	80 Ward St., Toronto, Canada
4507 W. Wisconsin Ave., Milwaukee, Wis.	

Regional Sales Offices:

Calhoun Bldg., Minneapolis, Minn.	Chanin Bldg., New York, N. Y.
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IRON FIREMAN MANUFACTURING COMPANY

General Offices: 3170 West 106th Street, Cleveland 11, Ohio

Financial Offices: 4784 S. E. 17th Avenue, Portland 7, Oregon